RESEARCH HIGHLIGHT

August 2004

Socio-economic Series 04-030

THE NATIONAL SUMMIT ON AFFORDABLE HOMEOWNERSHIP

INTRODUCTION

While many national and local non-profit organizations are involved in affordable housing through support and development of affordable homeownership, barriers constrain the amount of affordable housing that can be built. Non-profit organizations have developed solutions to these challenges, but are often forced to "reinvent the wheel" because there are limited opportunities to share information, best practices, and policy ideas that may work elsewhere. As organizations that are on the ground, the non-profit affordable homeownership sector has unique insights that could contribute to government policymaking.

This research highlight discusses the National Summit on Affordable Homeownership, a project set in motion by Habitat for Humanity Canada (Habitat) with support from Canada Mortgage and Housing Corporation (CMHC) under the federal government's Voluntary Sector Initiative (VSI)[1]. Among other things, the goal of the VSI is to increase the voluntary sector's policy capacity, including identifying mechanisms and appropriate opportunities for the sector to input into policy development.

BACKGROUND

In November 2003, Habitat in partnership with CMHC organized a National Summit on Affordable Homeownership that included participation from over 60 organizations from across the country. The Summit was a unique forum for national and local organizations from government, the non-profit and private sectors to share experiences, and examine trends, issues, barriers and policy solutions that could improve the business environment of the sector.

Habitat completed three research reports as background and a basis for dialogue at the Summit: i) *Affordable Homeownership: Reference Reports and Organizational Profiles;* ii) *Affordable Homeownership Background Discussion Paper;* and iii) *Affordable Homeownership: Feasibility Report on Establishing an Affordable Homeownership Policy Network.*[2]

Non-profit organizations that build affordable homes have valuable insight, information and policy ideas that could help inform government decision-making. In this context, the purpose of the Summit was to:

a. share information and best practices, and increase the capacity of the non-profit affordable homeownership sector to contribute to policy development;

b. build awareness of issues and trends that have an impact on the development of affordable housing, as well as solutions and unique approaches to address these challenges; and,

c. create an ongoing forum or network to sustain the dialogue following the Summit, and to support the sector to provide input to policy changes that could increase the capacity of the sector to build more affordable homes, in cooperation with its partners in the public and private sectors.

[1] The federal government launched the VSI in June 2000 to enhance the Governments' relationship with voluntary sector organizations.

[2] Reports available at "**www.habitat.ca/summit**".

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HOME TO CANADIANS

Canada

A working definition of affordable homeownership

Affordable housing exists in many forms in Canada, ranging from co-operative housing and subsidized rental, to affordable homeownership. At the Summit, a working definition of affordable homeownership was used: a homeowner unit is considered to be affordable if the purchase price is below market price for a unit of similar type, size and number of bedrooms, is modest in size and design, and is sustainable for the purchaser over time within a threshold of 30% of before-tax total household income.

Affordable homeownership has numerous benefits for both homeowners and society. "Pride of ownership" is often seen as a key benefit to the homeowner, but other benefits include: security of tenure, an ability to accumulate wealth (through equity, and potential appreciation in value of the home/property), and increased ability to control housing cost. Benefits to society include possible increases in community and social stability and in community responsibility. Affordable homeownership also has its disadvantages compared to other forms of affordable housing. Some of these disadvantages are capital risk (risk of depreciation of the asset) as well as higher transaction costs (such as real estate and legal fees on purchase).

SUMMIT FINDINGS – ISSUES AND TRENDS AFFECTING AFFORDABLE HOMEOWNERSHIP

Dr. Avi Friedman (McGill University) reviewed issues and trends affecting the supply and demand for affordable housing in Canada including:

- tenuous employment for many; and high youth unemployment;
- increasing number of non-traditional families (such as the increasing number of single-parent families);
- migration toward larger urban centers and the depopulation of small and medium size communities across Canada;
- aging population with unique housing needs; and,
- higher expectations about affordable home size, form, location, having a backyard, and so on.

Dr. Friedman also presented an overview of policy solutions that could overcome these challenges. Affordable housing needs to be at "the top of the urban planning agenda" with increased density of communities (for example through brownfield revitalization / redevelopment) being given a greater priority to combat sprawl.

The remainder of the Summit reviewed issues and solutions in three key policy areas: i) land and land use planning; ii) pricing, costs and financing; and, iii) homeownership support for families and communities.

Land and land use planning

Land availability and land use planning can have a major impact on the development of affordable housing and affordable homeownership. Panel members and Summit delegates discussed the role of municipalities in the development of affordable housing, including key issues and solutions. The panelists included John Burrett (Federation of Canadian Municipalities), Russell Mawby (City of Ottawa), and Jose Di Bona (ANOBID Construction, Montreal).

The discussion by delegates and panelists is summarized below.

Many Canadian cities, towns and communities are overburdened with responsibilities and have limited funding tools to respond appropriately to social challenges, ranging from homelessness and affordable housing needs to support for immigrants, newcomers, and Aboriginal people. These numerous challenges facing many municipalities often crowd the affordable housing agenda and limit the ability of municipalities to partner effectively with the private and non-profit sectors to create affordable homes. As well, some municipal leaders continue to view affordable housing solely in terms of providing subsidized rental units, as opposed to creating other forms of affordable housing (such as affordable homeownership).

With respect to land use planning specifically, delegates discussed how cities can play a role through inclusionary zoning by establishing a percentage of units in new developments as affordable. Municipalities that are playing a leadership role in this area include Vancouver, Regina, Winnipeg, Ottawa and Montreal. The extent to which these strategies will impact directly on affordable homeownership is, to date, untested.

Other policy ideas and solutions that were discussed include:

- providing municipal infrastructure and modified building codes for affordable home regeneration and infill projects;
- sharing costs for the regeneration of brownfields;
- permitting higher density as a trade-off for an increased percentage of affordable housing units;
- providing surplus lands at lower than market cost to organizations that will build affordable housing, with design and density considerations as well as percentage of affordable units negotiated; and,
- transferring federal and provincial government surplus lands to the private and non-profit sectors at below market rates for affordable housing.

Pricing, costing and financing

Steve Pomeroy (Focus Consulting Inc.), Scott Brown (RBC Royal Bank), and Roger Greenberg (Minto Developments Inc.) reviewed issues and solutions that affect the pricing, costing and financing of housing.

Numerous factors have an impact on the costs of housing including the shortage of skilled trades, the availability of land, and lending interest rates. Panelists discussed possible barriers to affordable homeownership relating to price and the capability of affording a home on the open market, and mechanisms to assist potential homeowners who have a limited or high risk credit history.

Some cost reduction strategies that were discussed by the panel and delegates were:

- creating access to the existing housing stock by continuing to provide repair assistance to qualifying homeowners;
- utilizing alternative construction materials to reduce overall building costs;
- restructuring taxes and levies so buyers pay them over a longer period, rather than collecting them at purchase;
- increasing land supply for affordable homeownership by releasing government- owned surplus lands; and,
- reforming the development approval process to reduce delays which increase costs for developers.

Homeownership support for families and communities

The Homeownership Support panel included presentations by Maureen Crawford (Habitat), Barbara Gosse (Social and Enterprise Development Innovations), and Charles Catto (Frontiers Foundation).

Delegates and panelists discussed the importance of financial and knowledge support for potential homeowners to ensure that the transition to homeownership is successful and sustainable. Support for potential and existing homeowners could include financial literacy education and financial planning assistance (for example, budgeting, mortgage payments, wills, insurance, retirement and education planning) as well as information, education and training about home maintenance. The important impact of matching asset-building savings programs, such as Home$ave[3], was highlighted.

Creating affordable housing in communities can also be challenging because of community residents' negative perceptions and not-in-my-backyard (NIMBY) attitudes. The public, non-profit, and private sectors need to educate the broader public about the importance and benefits of mixed income housing in communities (for example, reduction of urban sprawl, and how affordable homeownership contributes to community stability).

CONCLUSION

Along with increased understanding of issues, trends, barriers and solutions to the development of affordable housing through affordable homeownership, a key outcome of the Summit was agreement in principle to continue building the policy capacity of the sector through the creation of an action-oriented Affordable Homeownership Policy Network.

The Network would support and sustain information exchange and sharing of policy ideas and practical approaches to improve the capacity of all three sectors (public, private, and non-profit) to build more, while reducing barriers that limit what is possible.

Overall, the Summit resulted in a greater understanding about the variety of approaches to support and develop affordable homeownership, and that each sector has an important role.

Since the Summit, several organizations have partnered to create an advisory group that will advise Habitat for Humanity Canada about the development and

[3] *HOME$AVE*: Building Investments In Housing Assets, Socio-economic Series - Issue 03-001, April 2003, CMHC Research Highlight, available at "**www.cmhc.ca**"

implementation of the Affordable Homeownership Policy Network.

To find out more about the Summit and the Affordable Homeownership Policy Network please see "**www.habitat.ca/summit**".

CMHC Project Manager: Ed Nera,
Policy and Research Division

Voluntary Sector Organization:
David Hughes, President & CEO
Terry Petkau, VP Building & Housing
Habitat for Humanity Canada

Housing Research at CMHC

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or contact:

Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa, Ontario
K1A 0P7

Phone: 1 800 668-2642
Fax: 1 800 245-9274

OUR WEB SITE ADDRESS: www.cmhc.ca

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